

**RURAL WATER DISTRICT NO. 4,
GARVIN COUNTY**

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2021

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
TABLE OF CONTENTS
YEAR ENDED OCTOBER 31, 2021

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards.</i>	3-4
Financial Statements:	5
Statement of Net Position	6
Statement of Revenues and Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9-13

Kimberlye R. Mayer, CPA, P.C.

723 West Doolin

Blackwell, OK 74631

(580) 363-1453

Fax (580) 363-0068

Independent Auditor's Report

Board of Directors

Rural Water District No. 4, Garvin County

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Water District No. 4, Garvin County, which comprise the statement of net position as of October 31, 2021 and the related statements of revenues and expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such an opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The amounts reported in the financial statements for capital assets and accumulated depreciation are based on estimates and may not represent a complete accounting of all capital assets in service as required by accounting principles generally accepted in the United States of America. Capital asset records necessary to provide reasonable assurance that these amounts are not materially misstated are not readily available as explained in Note 4.

Opinion

In our opinion, except for the effects of any adjustments that might have been necessary had we been able to obtain sufficient evidence related to capital assets and related accounts, the financial statements referred to above, present fairly, in all material respects, the financial position of Rural Water District No. 4, Garvin County, as of October 31, 2021; the changes in financial position; and, cash flows thereof, for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

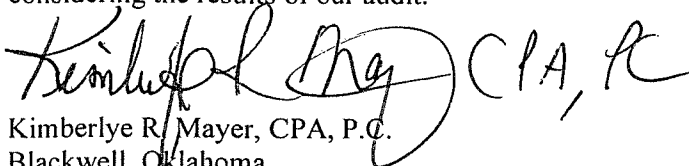
Other Matters

Required Supplementary Information

Rural Water District No. 4, Garvin County has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2022, on our consideration of Rural Water District No. 4, Garvin County's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Kimberlie R. Mayer", followed by the letters "CPA, P.C." in a stylized, cursive-like font.

Kimberlie R. Mayer, CPA, P.C.
Blackwell, Oklahoma
October 26, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Rural Water District No. 4, Garvin County

We have audited the financial statements of Rural Water District No. 4, Garvin County as of and for the year ended October 31, 2021 and have issued our report thereon dated October 26, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in *Government Auditing Standards*, issued by the Comptroller General of the United States. The auditor's report for the year ended October 31, 2021 is qualified due to the lack of records related to the value of the capital assets.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Water District No. 4, Garvin County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District No. 4, Garvin County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rural Water District No. 4, Garvin County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

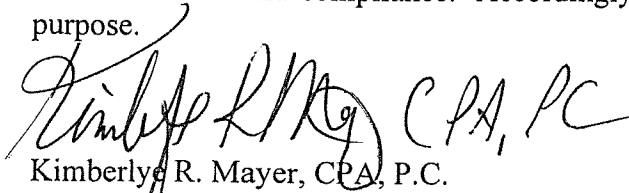
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Water District No. 4, Garvin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kimberley R. Mayer", followed by the text "CPA, P.C." in a similar script.

Kimberley R. Mayer, CPA, P.C.

Blackwell, Oklahoma

October 26, 2022

FINANCIAL STATEMENTS

AND

NOTES

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
STATEMENT OF NET POSITION
OCTOBER 31, 2021

ASSETS

Current Assets:

Operating accounts \$ 221,225

Total cash and cash equivalents 221,225

Certificates of deposit 848,032

Accounts receivable (Note 3) 57,155

Prepaid insurance 5,553

Inventory 4,126

Total Current Assets 1,136,091

Restricted debt service account (Note 6) 5,413

Reserve certificate 1,000

Water system (net of accumulated depreciation) (Note 4) 1,970,971

Total Assets \$ 3,113,475

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable \$ 226,932

Payroll taxes due 993

Notes payable (current portion)(Note 7) 29,932

Total Current Liabilities 257,857

Notes payable (long-term)(Note 7) 983,400

Total Liabilities 1,241,257

Net Position:

Net investment in capital assets 957,639

Unrestricted 914,579

Total Net Position 1,872,218

Total Liabilities and Net Position \$ 3,113,475

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED OCTOBER 31, 2021

Operating Revenue:	
Water sales	\$ 393,039
Late fees	4,098
Transfer fees	1,075
Other income	3,844
Total Operating Revenue	<u>402,056</u>
Operating Expense:	
Water costs	111,019
Payroll	39,370
Payroll taxes	3,391
Employee benefits	26,268
Meetings and training	300
Insurance	9,107
Postage and supplies	6,009
Dues, licenses and fees	3,699
Professional fees	6,635
Repairs and maintenance	110,002
Contract labor	36,730
Vehicle expenses	7,896
Telephone	3,183
Utilities	8,342
Bad debt expense	1,596
Depreciation	81,059
Total Operating Expenses	<u>454,606</u>
Income (Loss) From Operations	(52,550)
Non-operating Revenue (Expense):	
Interest expense	(24,243)
Loan administration fees	(5,747)
PPP loan forgiven	7,720
Benefit units	28,847
Advertising and rental income	10,985
Interest income	10,825
Total Non-operating Revenue (Expense)	<u>28,387</u>
Change in Net Position	(24,163)
Net Position, beginning of year	<u>1,896,381</u>
Net Position, end of year	<u><u>\$ 1,872,218</u></u>

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2021

Cash Flows From Operating Activities:

Cash received from customers	397,628
Cash payments to employees	(39,370)
Cash payments to suppliers for goods and services	(220,646)
Net cash provided (used) by operating activities	<u>137,612</u>

Cash flows from non-capital financing activities:

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(129,135)
Loan administration fees	(5,747)
Principle payments	(29,097)
Interest paid	(24,243)
Advertising and rental income	10,985
New memberships	28,847
Net cash provided (used) by financing activities	<u>(148,390)</u>

Cash flows from investing activities:

Interest on cash and investments	10,825
(Increase) decrease in CD's	(9,184)
Net cash provided (used) by investing activities	<u>1,641</u>

Net increase (decrease) in cash and cash equivalents	(9,137)
Beginning cash and cash equivalents	230,362
Ending cash and cash equivalents	<u>\$ 221,225</u>

Reconciliation of operating income (loss) to

net cash provided (used) by operating activities:

Operating income (loss)	\$ (52,550)
-------------------------	-------------

Adjustments to reconcile operating income (loss) to

net cash provided (used) by operating activities:

Depreciation	81,059
Changes in assets and liabilities:	
(Increase) decrease in receivables	(4,002)
(Increase) decrease in prepaids	(344)
(Increase) decrease in debt service account	(1)
Increase (decrease) in payables	113,450

Net cash provided (used) by operating activities	<u>\$ 137,612</u>
--	-------------------

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Rural Water District No. 4, Garvin County was organized and established under the provisions of Title 82 of the laws of the State of Oklahoma. The purpose of this District is to furnish and supply to owners and occupants of property within the corporate limits water and related facilities and services.

The District is a governed entity administered by a Board of Directors that act as the authoritative and legislative body of the entity. The Board is comprised of elected board members.

Basis of Accounting

The accounting policies of Rural Water District No. 4, Garvin County conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Cash and Deposits

Cash and deposits are maintained in financial institutions which provide coverage to depositors through the Federal Deposit Insurance Corporation. The State of Oklahoma allows government entities to invest in the following: direct obligations of the United State Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 2 – CASH AND CASH EQUIVALENTS:

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2021

NOTE 3 – ACCOUNTS RECEIVABLES:

The accounts receivable balance at October 31, 2021 includes amounts due from customers for water service. The District's bad debts in the past have been immaterial, therefore, no allowance for doubtful accounts has been recorded.

NOTE 4 – WATER SYSTEM:

The District did not maintain accurate records of the original cost of the waterline system. The amounts reported in the financial statements for the original waterline system are based on estimates.

The District was given land during the year ended October 31, 2007 for an office building, which was constructed during the year ended October 31, 2008. The value of this land has not been determined and therefore has not been recorded in the financial statements.

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended October 31, 2021 was \$81,059. The following is a summary by category of changes in property and equipment:

Category	10/31/20	Additions	Deletions	10/31/21
Machinery and equipment	\$ 35,153	\$	\$ (15,083)	\$ 20,070
Buildings	127,572			127,572
Waterline system	2,645,093	114,135		2,759,228
Work in progress		15,000		15,000
Accumulated depreciation	(884,923)	(81,059)	15,083	(950,899)
Net	<u>\$ 1,922,895</u>	<u>\$ 48,076</u>	<u>\$</u>	<u>\$ 1,970,971</u>

NOTE 5 – DEPOSITS:

The District maintains deposits in excess of the FDIC limit. These excess deposits are insured through an irrevocable letter of credit carried by the financial institution for \$700,000. This letter of credit expires September 16, 2022.

NOTE 6 – RESTRICTED ACCOUNT:

As part of the loan agreement with OWRB, (Note 7), the District is to maintain a debt service account. Monthly payments are remitted to a trustee bank who administers the semiannual payments. At October 31, 2021, this account had a balance of \$5,413.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2021

NOTE 7 – NOTES PAYABLE:

In March 2015, the District entered into a \$1,183,456 note payable agreement with OWRB for construction projects. The interest rate is 2.31% and the administration fee is .5%. Payments to the trustee bank began on March 15, 2016 and will continue for 30 years. The current monthly payments are \$4,882. The semiannual payments are due on March 15th and September 15th of each year.

The following is a detail of the loan activity during the year ended October 31, 2021:

Balance at 10/31/20	\$ 1,042,428
Principle payments	<u>(29,097)</u>
Balance at 10/31/21	<u><u>\$ 1,013,331</u></u>

The following is a summary of the District's future annual debt requirements:

Year Ended	Payments	Principal	Interest & Admin. fees
10/31/2022	58,587	29,932	28,655
10/31/2023	58,587	30,791	27,796
10/31/2024	58,587	31,599	26,988
10/31/2025	58,587	32,580	26,007
10/31/2026	58,587	33,516	25,071
10/31/2027 - 10/31/2031	292,935	182,495	110,440
10/31/2032 - 10/31/2036	292,935	210,197	82,738
10/31/2037 - 10/31/2041	292,935	242,204	50,731
10/31/2041 - 10/31/2045	234,348	214,015	20,333
Totals	<u><u>\$ 1,406,088</u></u>	<u><u>\$ 1,007,329</u></u>	<u><u>\$ 398,759</u></u>

On April 21, 2020, the District was granted a loan from the First State Bank in the amount of \$7,720, pursuant to the Payroll Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a note, matures on April 21, 2022, and bears interest at a rate of 1%. The note may be prepaid prior to maturity with no prepayment penalties. Funds from the loan may be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred prior to February 15, 2020. The District used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if used for qualifying expenses described in the CARES Act. As of the date of this report, the District has applied for forgiveness of this loan. The loan was forgiven as of the balance sheet date.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2021

NOTE 8 – CONTRACT RECEIVABLES:

The District and the PVMA reached an agreement effective February 1, 2007, in which the District transferred certain customers and infrastructure located in the Pauls Valley city limits to the PVMA. The agreement set forth the District and the PVMA would each obtain an appraisal of the infrastructure transferred to the PVMA. Then, a third appraiser would be obtained, and the three appraisers would reach an agreement as to the value of the infrastructure transferred. During the year ended October 31, 2011, the District and PVMA had reached an agreement on the value of the infrastructure. The amount due from PVMA for the purchase of this infrastructure was recorded as contracts receivable in previous years but is -0- as of October 31, 2021. No imputed interest has been recorded on this debt. The PVMA will also pay the District an amount equal to an average of five years net income for those customers transferred to the PVMA. This additional compensation is to be paid in sixty equal installments to the District. At the date of this report, no amount has been determined and no installments on this additional compensation have been received. In the agreement, the District has also given PVMA the right to serve current and future customers within a given area for a period of 99 years. The water costs are currently being recorded as account payable to cover the amount the PVMA will owe once that amount is calculated.

NOTE 9 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents, certificates of deposit, inventory, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

RURAL WATER DISTRICT NO. 4, GARVIN COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2021

NOTE 10 – BUDGETS:

The District is not legally required to adopt a budget.

NOTE 11 – ESTIMATES:

reparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 12 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 13 – COMMITMENTS AND CONTINGENCIES:

As of October 31, 2021, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through October 26, 2022, the date which the financial statements were available to be issued.